

**DOMESTIC PETROLEUM LIMITED**

and its subsidiaries

**CONSOLIDATED STATEMENT OF CHANGES  
IN FINANCIAL POSITION**

Six Months Ended June 30, 1977 and 1976

	1977	1976
<b>FUNDS WERE PROVIDED</b>		
<b>FROM</b>		
Net Earnings	\$ 30,519,000	\$ 23,193,000
Adjustment for non-cash items including depreciation, depletion and deferred income taxes	29,028,000	24,128,000
Less equity in earnings of affiliates	(1,274,000)	—
<b>Cash flow from</b>		
operations	58,273,000	47,321,000
Dividends received	760,000	—
Issues of long term debt	50,000,000	53,691,000
Issues of common shares	1,260,000	26,796,000
Other	5,135,000	—
	<u>115,428,000</u>	<u>127,808,000</u>
<b>FUNDS WERE APPLIED TO</b>		
Expenditures for property, plant and equipment	89,816,000	120,085,000
Less amounts contributed through participation agreements	(5,460,000)	(11,225,000)
	<u>84,356,000</u>	<u>108,860,000</u>
Reduction of long term debt	18,020,000	12,050,000
Investment in Dome Mines Limited	—	24,000,000
Investment in Panartic Oils Ltd.	—	546,000
Other	2,962,000	2,692,000
	<u>105,338,000</u>	<u>148,148,000</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	<u>\$ 10,090,000</u>	<u>(\$ 20,340,000)</u>

This statement is unaudited.

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**DOMESTIC PETROLEUM LIMITED**  
**INTERIM REPORT**  
**JUNE 30, 1977**



## TO THE SHAREHOLDERS:

### FINANCIAL

The financial results for the first six months of 1977, compared with those for the same period in 1976, are as follows:

	1977	1976
Revenue	\$213,281,000	\$157,761,000
Cash Flow	\$ 58,273,000	\$ 47,321,000
Per Share	\$5.19	\$4.12
Net Earnings Before		
Deferred Income Taxes	\$ 50,864,000	\$ 38,182,000
Per Share	\$4.53	\$3.32
Net Earnings	\$ 30,519,000	\$ 23,193,000
Per Share	\$2.72	\$2.02
Average Shares Outstanding	11,222,000*	11,495,000

\*Adjusted for Company's 29.5% share interest in Dome Mines Limited

Cash flow per share for the six months to June 30, 1977 increased 26%, earnings before deferred income taxes increased 33.2% and net earnings increased by 31.6% over the same period in 1976.

### DEFERRED INCOME TAXES

Additional earned depletion allowances for companies engaged in frontier exploration were introduced by the federal government's March 31 budget. Because of the Company's heavy involvement in frontier exploration, this will result in a reduction of the effective rate of tax charged against the Company's income. As the Company's Beaufort Sea operations had not commenced during the first half, the provision for defer-

red tax in the financial section above does not reflect this change.

Deferred income taxes do not represent an obligation of the Company. When Dome becomes subject to paying income taxes, it will pay tax only on the income in the year incurred, not on the income of prior years, as long as the Company maintains a modest level of capital expenditures.

### OPERATIONS

Sales of natural gas liquids increased in the first half to 89,387 barrels per day from 71,486 barrels per day for the same period in 1976. Production of crude oil and natural gas liquids increased to 30,504 barrels per day from 29,093 barrels per day and natural gas production amounted to 158 million cubic feet per day, compared with the mid-1976 figure of 147.9 million cubic feet per day.

- At Vulcan, Alberta a new gas plant, with raw gas processing capacity of 30 million cubic feet per day (MMCFD), was placed on-stream in April. Dome, as operator, has a 33% ownership in this facility.
- The North Provost, Alberta gas handling facilities were expanded from 8 MMCFD to 14 MMCFD and placed on-stream in June.
- The Willesden Green, Alberta ethane miscible flood scheme started operating early in the second quarter, with ethane injection rates of 8,000 barrels per day. This should significantly increase future oil production and recoverable reserves.
- At Kinsella, in eastern Alberta, the development drilling program has been completed with 10 oil wells on production. Dome

has a working interest of 75%.

- In the Provost area of eastern Alberta, 11 gas development wells were completed. Dome holds a 77.77% interest in this 245,000 gross acre unit.
- The Midale-Weyburn-Viewfield, Saskatchewan solution gas conservation facilities were completed and tied into the Steelman gas plant in May.
- At Bradshaw, Kansas, gathering system construction was completed and gas sales commenced in the third quarter.
- In the San Juan Basin of New Mexico, Dome has followed up its three earlier oil discoveries by the completion of 10 development wells. All three fields are now on production. A fourth oil discovery well was drilled in July.

## EXPLORATION

Dome participated in the drilling of 46 exploration and development gross wells (22 net working interest plus 2 royalty interest wells) during the second quarter of 1977, compared with 57 gross wells (10 net working interest plus 33 royalty interest wells) for the same period in 1976.

### Alberta

- At Boundary Lake South, near the British Columbia border, an exploratory test resulted in an oil discovery. Dome has a 22.5% interest in 3,000 gross acres in the vicinity.
- At Claresholm, 77 miles south of Calgary, the Company participated in the drilling and completion of a deep gas discovery. Dome has a 14.32% interest in 20,320 gross acres in the area.

- At Metiskow, approximately 166 miles southeast of Edmonton, Dome holds a 50% working interest in a dual zone gas discovery and a 37.5% interest in 14,360 gross acres in the area.

## BEAUFORT SEA

The Company recently received a three-year extension to its Beaufort Sea drilling authority, subject to annual review. Drilling has commenced at three locations.

Litigation between Dome and Hunt International was settled during the quarter, opening the way to a continuation of the joint oil and gas exploration program in the Beaufort.

Construction of the Company's base camp and docking facilities at Tuktoyaktuk, N.W.T. was completed during the quarter. Two new ice breaker supply vessels arrived via Point Barrow, increasing to seven the number of vessels assisting the three drillships.

## ETHANE PROJECT AND COCHIN PIPELINE SYSTEM

Construction of the Canadian section of the Cochin pipeline commenced June 1 and the United States portion commenced in early July, both on schedule. Most of the Cochin pipeline and pump station construction is expected to be completed in 1977, with start-up scheduled for early 1978.

## NATIONAL ENERGY BOARD MACKENZIE VALLEY PIPELINE DECISION

The National Energy Board recently rendered a decision favoring an Alaska Highway pipeline route, to carry Alaskan gas to



market, with a proposed link to the Mackenzie Delta.

Throughout the National Energy Board pipeline hearings, Dome took a neutral position regarding the competing applications. The Company supported the basic concept of a pipeline along the Mackenzie River Valley (without taking a position as to which consortium should construct it) to enable relatively small reserves which may be discovered in this area to be economically gathered and produced.

The National Energy Board decision supports the Company's Beaufort Sea effort. Major discoveries by industry in the Beaufort will assist in the proper route planning and sizing of a pipeline to carry Mackenzie Delta gas to market.

J. P. GALLAGHER,  
Chairman

W. E. RICHARDS,  
President

August 8, 1977

**DOMe PETROLEUM LIMITED**  
and its subsidiaries

**CONSOLIDATED STATEMENT OF EARNINGS**

Six Months Ended June 30, 1977 and 1976

	<u>1977</u>	<u>1976</u>
REVENUE	<u>\$213,281,000</u>	<u>\$157,761,000</u>
EXPENSE		
Cost of Product	127,255,000	90,360,000
Producing, processing and marketing	13,524,000	11,719,000
General and administrative	3,976,000	1,509,000
Depreciation	5,872,000	7,650,000
Depletion	2,311,000	2,090,000
Interest on long term debt	9,213,000	5,998,000
Other Interest	266,000	253,000
	<u>162,417,000</u>	<u>119,579,000</u>
NET EARNINGS BEFORE DEFERRED INCOME TAXES	50,864,000	38,182,000
Deferred income taxes	<u>20,345,000</u>	<u>14,989,000</u>
NET EARNINGS	<u>\$ 30,519,000</u>	<u>\$ 23,193,000</u>
Average Shares Outstanding	11,222,000	11,495,000
PER SHARE		
Net earnings before deferred income taxes	\$4.53	\$3.32
Net earnings	\$2.72	\$2.02
CASH FLOW		
FROM OPERATIONS	\$ 58,273,000	\$ 47,321,000
Cash Flow Per Share	\$5.19	\$4.12

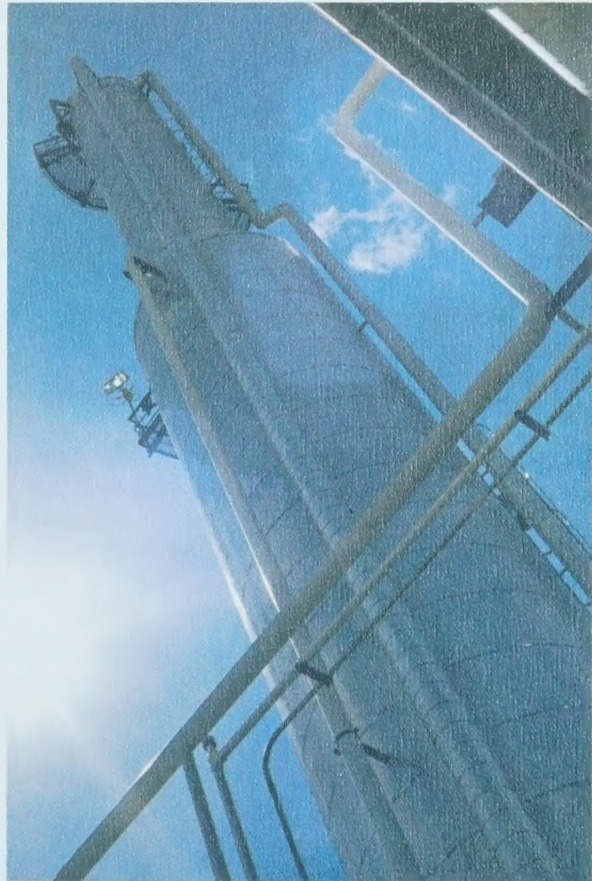
This statement is unaudited.

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PETROLEUM  
LIMITED

Interim Report / June 30, 1978





## TO THE SHAREHOLDERS:

The financial results for the first six months of 1978, compared with those for the same period in 1977, are as follows:

	<u>1978</u>	<u>1977</u>
Revenue	\$252,754,000	\$213,281,000
Cash Flow	\$ 69,836,000	\$ 58,273,000
Per Share	\$6.22	\$5.19
Net Earnings Before		
Deferred Income Taxes	\$ 61,818,000	\$ 50,864,000
Per Share	\$5.51	\$4.53
Net Earnings	\$ 37,528,000	\$ 30,519,000
Per Share	\$3.34	\$2.72
Average Shares Outstanding	11,226,000	11,222,000

Cash flow for the six months to June 30, 1978 increased 20%, earnings before deferred income taxes increased 22% and net earnings increased by 23% over the same period in 1977.

The pattern of earnings growth for the current year appears to be following that of previous years, with the last half expected to contribute substantially more than half of the year's earnings.

## EXPLORATION AND DEVELOPMENT

Dome participated in the drilling of 74 exploration and development wells (44 net working interest plus nine royalty interest wells) during the second quarter of 1978, compared with 46 wells (22 net working interest plus two royalty interest wells) for the same period in 1977.

Exploratory drilling during the quarter yielded 12 gas and two oil discoveries and development drilling resulted in 16 gas and 11 oil wells.

Total footage drilled represents a significant increase over the same period last year and is indicative of the anticipated level of activity for the remainder of the year.

## Alberta and British Columbia

Dome participated in 35 wildcat exploratory wells, of which 10 were completed as gas wells and two as oil wells.

The following areas of activity were of particular interest during the period:

At Beaverlodge, in the Elmworth area of northwestern Alberta, Dome participated in a gas discovery. The Company has a 37.5% interest in 15,300 gross acres and has five drilling rigs active in this area.

At Zama Lake, also in northwestern Alberta, two successful exploratory wells were drilled resulting in one oil and one gas well. Dome has a 25% interest in 83,000 gross acres in the area.

At Templeton, in southern Alberta, a successful gas discovery was made on a multi-well farm-in. Dome will earn interests varying from 38% to 76% in 80,640 gross acres.

At Willesden Green, in central Alberta, Dome has completed seven oil wells out of a potential 20-well enhanced recovery program. The Company's interest in this program is 100%.

At Richdale, in central Alberta, Dome participated in the drilling of four successful gas wells. The Company has interests varying from 25% to 100% in 23,200 gross acres.

At Silver, in northeastern British Columbia, Dome drilled a dual zone oil and gas discovery. The Company has interests varying from 58% to 75% in 27,176 gross acres. Additional wells are currently being planned for the area.

## United States

In Wyoming, the Company participated in the drilling of a significant gas discovery in Sweetwater County. Dome has a 25% interest in 2,560 acres in this area.

In Kansas, the Company participated in completing five gas development wells in the Bradshaw area of Hamilton County. Dome has a 50% working interest in this field and 20 additional producing gas wells.

### **Heavy Oil**

An active exploration program has been initiated in the Lloydminster area of eastern Alberta. A heavy oil discovery has been made on acreage near Rivercourse. Heavy oil indications have also been encountered by initial drilling near Vermilion and Hazeldean. Dome holds interests ranging from 75% to 100% in 17,520 gross acres of highly prospective lands in this area where an active drilling program is continuing.

### **Beaufort Sea Operations**

Dome's three drillships broke out of their wintering locations early in the third quarter and commenced drilling operations July 10, one week earlier than last year. Drilling is continuing below 8,500 ft. at Ukalerk and below 9,400 ft. at Kopanoar. On the west side of the Beaufort Basin, the Natsek well was commenced and carried to a depth of 1,850 ft. before suspension for later deepening.

At the Kaglulik well, on the east side of the Beaufort, a high pressure water flow was encountered at 1,900 ft. This well has now been plugged and suspended and the drillship moved to the higher priority well at Nerlerk.

The drillships initially commenced drilling at ice-free locations, two of which were secondary locations. All three drillships are now on first priority locations.

### **Beaufort Sea Drilling Fund**

During the second quarter, Dome offered the Canadian public a drilling fund granting the following participation in the Company's Beaufort Sea exploration program: 1.8% net profits interest (N.P.I.) in nine exploratory wells to be drilled in the Beaufort Sea with the exception of Ukalerk

in which the N.P.I. is 0.9%. This interest extends to a 1,000 acre area around each well.

As a result, \$56 million was raised, all of which will be spent in this year's drilling program.

### **Cochin Pipeline System**

The 1,900-mile Cochin pipeline has been filled with an ethane-propane mixture and deliveries averaging 30,000 barrels per day are currently being made. Five propane terminals are scheduled to be completed this summer.

During the second quarter, the Company's Edmonton ethane extraction plant commenced operations. Construction of the new 145-mile Waterton-Cochrane pipeline is expected to be completed later this year in time for start-up of Shell's ethane extraction plant at Waterton in southern Alberta.

J.P. GALLAGHER,  
*Chairman*

W.E. RICHARDS  
*President*

August 10, 1978



**DOMESTIC PETROLEUM LIMITED**

and its subsidiaries

**CONSOLIDATED STATEMENT OF EARNINGS**

Six Months Ended June 30, 1978 and 1977

	<u>1978</u>	<u>1977</u>
REVENUE	<u>\$252,754,000</u>	<u>\$213,281,000</u>
EXPENSE		
Cost of product	144,168,000	127,255,000
Operating and general expense	23,086,000	17,500,000
Depreciation	5,949,000	5,872,000
Depletion	4,370,000	2,311,000
Interest on long term debt	12,814,000	9,213,000
Other Interest	<u>549,000</u>	<u>266,000</u>
	<u>190,936,000</u>	<u>162,417,000</u>
NET EARNINGS BEFORE DEFERRED INCOME TAXES	61,818,000	50,864,000
Deferred income taxes	<u>24,290,000</u>	<u>20,345,000</u>
NET EARNINGS	<u>\$ 37,528,000</u>	<u>\$ 30,519,000</u>
Average Shares Outstanding	11,226,000	11,222,000
PER SHARE		
Net earnings before deferred income taxes	\$5.51	\$4.53
Net earnings	\$3.34	\$2.72
CASH FLOW FROM OPERATIONS	\$ 69,836,000	\$ 58,273,000
Cash flow per share	\$6.22	\$5.19

This statement is unaudited.

**DOMESTIC PETROLEUM LIMITED**

and its subsidiaries

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

Six Months Ended June 30, 1978 and 1977

	<u>1978</u>	<u>1977</u>
FUNDS WERE PROVIDED FROM		
Net earnings	\$ 37,528,000	\$ 30,519,000
Adjustment for non-cash items including depreciation, depletion and deferred income taxes	35,109,000	29,028,000
Less equity in earnings of affiliates	<u>(2,801,000)</u>	<u>(1,274,000)</u>
Cash flow from operations	69,836,000	58,273,000
Dividends received	1,140,000	760,000
Issues of long term debt	40,000,000	50,000,000
Issues of common shares	<u>8,000</u>	<u>1,260,000</u>
	<u>110,984,000</u>	<u>110,293,000</u>
FUNDS WERE APPLIED TO		
Expenditures for property, plant and equipment	117,854,000	84,681,000
Less amounts contributed through participation agreements	<u>5,325,000</u>	<u>5,460,000</u>
	112,529,000	79,221,000
Reduction of long term debt	12,005,000	18,020,000
Investment in Dome Mines Limited	7,158,000	—
Increase in deposits, long term receivables and other investments	<u>331,000</u>	<u>2,962,000</u>
	<u>132,023,000</u>	<u>100,203,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (21,039,000)</u>	<u>\$ 10,090,000</u>
WORKING CAPITAL AT END OF QUARTER	<u>\$ 80,662,000</u>	<u>\$ 76,421,000</u>

This statement is unaudited.